

MICRO, SMALL & MEDIUM ENTERPRISES

(MSME'S)

BUSINESS ENVIRONMENT IN INDIA

The features of Indian business environment are:

① Co-existence of public & private

Sector: Indian business environment is characterized by the co-existence of both public and private sector in respect of its participation in various economic activities in the country.

Accordingly, the various economic policies of the country can promote the development of both the sectors in different spheres of activities.

② Low Income level: Indian bus-

iness environment has to face low

income level of the people in general as an important economic parameter for determining its economic activities.

③ Poor rate of Capital formation:

Capital deficiency is one of the important features of the Indian business environment. Both the amount of capital available per head and the present rate of capital formation in India is very low. Moreover, this low level of capital formation in India is also due to weakness of the inducement to invest and also due to the low propensity and capacity to save. Thus under this present feature, the business environment of the country never faces adequate incentive towards faster development of the country.

④ Low Level of Technology: prevalence of low level technology is another important feature of Indian business environment. The business environment of the country is thus suffering from technological backwardness. Obsolete techniques of production are largely being applied in both agriculture & industrial sector of the country.

Sophisticated modern technology is being applied in production units at a very limited scale as it is very much expensive. Moreover, the huge unskilled & untrained labour force is also an important impediment towards technological modernisation of the country.

⑤ Under-utilization of capacity:

Under utilization of productive capacity of Indian industries is another important feature of Indian business environment. As a result of this under utilization, the industries in India are suffering from higher unit costs flow profitability syndrome.

⑥ Lack of Diversification: The

business environment of the country is also subjected to the problem of lack of diversification in its industry, trade and other related activities.

⑦ Financial Market: Indian

business environment is also supported by under developed financial market.

Financial market is suffering from lack of buoyancy & there is also the problem of lack of adequate and free uninterrupted flow of institutional credit towards industrial & other business units.

⑧ Industrial Dispute & slow pace

of Labour Reforms : Another important feature of business environment is the growing industrial dispute leading to strikes & lock-outs in growing number of units as a result of irrational trade union activities. Moreover, the slow pace of labour reforms introduced by the government has affected the business environment of the country.

⑨ Government Interference: Business environment in the country is also affected by unwanted government interference in various spheres of business & industrial activities. There is lack of single window clearance & lack of administration efficiency in respect of industrial licensing. Thus the business enterprises have to face the problem of red-tapism, harassment, corruption, undetected delay etc., which ultimately interrupts the promotion of smooth business environment in the country.

⑩ Extent of market : Another feature of business environment of India is the poor extent of market in the aftermath of globalization and

international competition faced by the country. The business enterprises of the country is also suffering from lack of diversification of its export market. However, considering the natural advantage available in the country, the country would be able to diversify its export market particularly in respect of its agro-processed industries, service sector, information technology sectors etc.

④ Transportation Bottleneck:

Another important feature of business environment of the country is that it is subjected to frequent transport bottleneck. Although the country has developed a wide network of transportation system interruption as a result of natural calamities like flood, landslides etc.,

and insurgency has been resulting a serious blow to the business environment of the country.

⑫ Trady Flow of Foreign Investment:

Promotion of business environment also depends on the smooth flow of foreign investment in various sectors. But the country is suffering from trady flow of foreign investment, which goes against the promotion of business environment in the country.

⑬ Disturbed Law and order Conditions

The disturbed law & order conditions in some particular regions leading unbalanced growth where smooth flow of business is inter-

rupted. This business environment in a vast country like India is subjected to its diversified features.

ROLE OF MSME's : MSMEs

Play a pivotal role in the Indian economy.

- 1) MSME Sector contribute nearly 45% of the manufacturing output and 40% of the exports.
- 2) MSME Sector provides the largest share of employment after agriculture and this sector has a better record of employment generation per rupee investment as compared to large industries.

- ③ Economic independence (i.e., self-reliance) can be achieved only by the growth of small sector.
- ④ MSMEs generate immediate and large scale employment opportunities with relatively low investment.
- ⑤ MSMEs eradicate unemployment problem from the country.
- ⑥ MSMEs encourage dispersal of industries to all over country covering small towns, villages and economically lagging regions.
- ⑦ MSMEs bring backward areas too in the mainstream of national development.

- 8) MSMEs promote balanced regional development in the whole country.
- 9) ~~MSMEs~~ ensure more equitable distribution of national income.
- 10) MSMEs encourage effective mobilisation of country's untapped resources.
- 11) MSMEs improve the level of living of people in the country.
- 12) Apart from economic relevance, growth of MSMEs plays an important role in maintaining the overall social & cultural structure.
- 13) MSMEs encourage inclusive growth. [Unequal distribution of wealth is discouraged].

Nature of activity of the enterprise	Investment in equipment excluding land & building for enterprises engaged in manufacturing or production, processing or preservation of goods.		
	Micro	Not exceeding ₹ 25 lakh	Not exceeding ₹ 10 lakh
Small	More than ₹ 25 lakh but does not exceed ₹ 500 lakh	More than ₹ 10 lakh but does not exceed ₹ 200 lakh	More than ₹ 200 lakh but does not exceed ₹ 500 lakh.
Medium	More than ₹ 500 lakh but does not exceed ₹ 1000 lakh.	More than ₹ 200 lakh but does not exceed ₹ 500 lakh.	More than ₹ 500 lakh.
Large	More than ₹ 1000 lakh.	More than ₹ 500 lakh.	More than ₹ 500 lakh.

Fig.: The guidelines with regard to investment in plant & machinery or equipment as defined in the SMEI

Institutional Support :

- 1) NSIC : National Small Industries Corporation.
www.nsic.co.in
- 2) TECSOK : Technical Consultancy Services Organisation of Karnataka
www.tecsok.com
- 3) KIADB : Karnataka Industrial Areas Development Board
www.kiadb.in
- 4) KSSIDC : Karnataka State Small Industries Development Corporation.
www.kssidc.co.in

5) SIDBI : Small Industries Development Bank of India.
www.sidbi.in

6) KSFC : Karnataka State Financial Corporation (ksfc.in)

① NSIC : National Small Scale Industries Corporation is a Ministerial PSU established by the Government of India in 1955. NSIC is the nodal office for several schemes of Ministry of MSME such as performance of credit Rating, single point registration, MSME data bank, National SCST Hub etc.

- It was established in 1955 to promote and develop micro & small scale industries and enterprises in the country. It was founded as a government of India agency later made into a fully owned government Corporation.
- NSIC is an ISO 9001-2008 Certified Government of India Enterprise under ministry of micro, small & medium enterprises (MSME). NSIC operates through Countrywide network of offices and Technical Centres in the country.
- NSIC also helps in organising Supply of raw materials like Coal, iron, Steel and other materials

and machines needed by small scale private industries by negotiating with other government Companies like Coal India Limited, SAIL, Hindustan Copper Limited etc.,

- NSIC provides assistance to small scale industries by taking orders from Government of India owned enterprises and procures these machines from SSI units registered with them, providing assistance right from financing, training, providing raw materials for manufacturing and marketing of finished products of SSI's, which would otherwise not be able to survive in face of competition from large & big business conglomerates.

- NSIC helps SSI by mediating with government owned banks to provide cheap finance and loans to budding small private industries of India.
- NSIC Technical service Centres are located at the following places.

<u>Name of Centre</u>	<u>Focus Area</u>
Chennai	Leather & Footwear
Howrah	General Engineering
Hyderabad	Electronics & Computer application.
New Delhi	Machinist Tools & related activities.
Rajkot	Energy Audit & Energy Conservation activities.

Rajpura (Pb) → Domestic Electrical appliances.

Panjgopal (V.K) → Electronics, f Computer Hardware.

Aliganj (U.P) → Lock Clutch f Die & tool making

TECSOK : [Technical Consultancy Services organisation of Karnataka].

TECSOK is a multidisciplinary management consultancy organisation promoted by Government of Karnataka to provide reliable Consultancy Services in India. TECSOK has been excelling its expertise in a wide range of services. The package of services include:

feasibility studies, market research, valuation of assets, environment impact studies, energy management and audit, management studies like corporate plan, reorganisation & restructuring of enterprises, man power handling (planning), budgetary control system, mergers and acquisitions, investment opportunities, technology transfers, diagnostic studies and also designing of organising training programmes in all related areas. TECSON is also concentrating on studies relating to cleaner production technology & methods.

TECSOK has been considered by the Government of Karnataka, Govt. of India, State & Central financial institutions, Commercial banks. Asian development bank & a host of other institutions of the Government and private as the recognized Consultancy agency.

KIADB {Karnataka Industrial area Development Board}.

It is a statutory body, constituted under Sec.5 of Karnataka Industrial Area Development Act (KIAD-Act) 1966 vide order No. C167 GMI 66 dated 20th June 1966 to promote rapid

and orderly establishment and development of industries and for providing industrial infrastructural facilities and other amenities in industrial areas in the State of Karnataka, KIAD Act - 1966, a special act, provides for expeditions acquisition of lands for industrial and infrastructure projects.

KIADB functions as per statutory provisions, Rules and Regulations enacted under the KIAD Act. The Board Comprises of senior Govt. officers in their ex-officio capacities. The board members meet regularly to take decisions

and monitor the functions.

The vision of KIADB and world class infrastructure has made investors all over the world take notice of Karnataka as the preeminent destination for their startups & ventures.

KIADB has so far developed 160 industrial areas in 29 districts in the state covering an extent of 76,136 acres, of acquired land for nearly 473 single unit complexes covering an extent of 73,288 acres ensuring balanced industrial development in all regions with well thought of infrastructures for unique features.

KSS TDC : [Karnataka State Small Industries Development Corporation]. It is the industrial and investment promotion agency of the Government of Karnataka. The growth of small scale industries in our Country since independence is rightly regarded as one of the most significant features of planned economic development.

- The Corporation's principal objective is to promote and develop small industries in the state.
- Construction and utilisation of infrastructure, especially in backward areas, procurement of marketing of raw materials, technical support and assistance are means to reach the goals.
- A concern for results, emphasis on quality and timely work and

willingness to understand the problems of entrepreneurs and the staff breed, and KSSIDC constantly strive for this end.

- An industry prosperity Karnataka is the vision of KSSIDC.

SIDBI : [Small Industries Development Bank of India] It is an independent financial institution aimed to aid the growth and development of micro, small and medium - scale enterprises (MSME) in India. Set up on April 2, 1990 through an act of Parliament, it was incorporated initially as a wholly owned subsidiary of IDBI (Industrial Development Bank of India). Currently the ownership is held by 34 Government of India owned / controlled

institutions.

It is the principal institution for the promotion, financing and development of the micro, small & medium enterprise (MSME) sector and for co-ordination of the functions of the institutions engaged in similar activities.

SIDBI has also floated several other entities for related activities.

- a) Credit Guarantee Fund Trust for Micro and Small Enterprises — Provides guarantee to banks for collateral-free loans extended to SME.
- b) SIDBI Venture Capital Ltd — is a venture capital company focussed at SME
- c) SMERA — SME Rating Agency of India

Provides composite ratings to SME.

d) ISARC - India SME Asset Resolution Company in 2009, as specialized entities for NPA resolution for SME.

KSFC : [Karnataka State Financial Corporation]

KSFC is one of the fast track term lending financial institutions in the country with assistance to over 1,71,414 units amounting to nearly Rs. 15,276 crore over the last 58 years in the state of Karnataka. KSFC is one of the robust and professionally managed state financial corporation. KSFC is an ISO 9001-2000 certified.